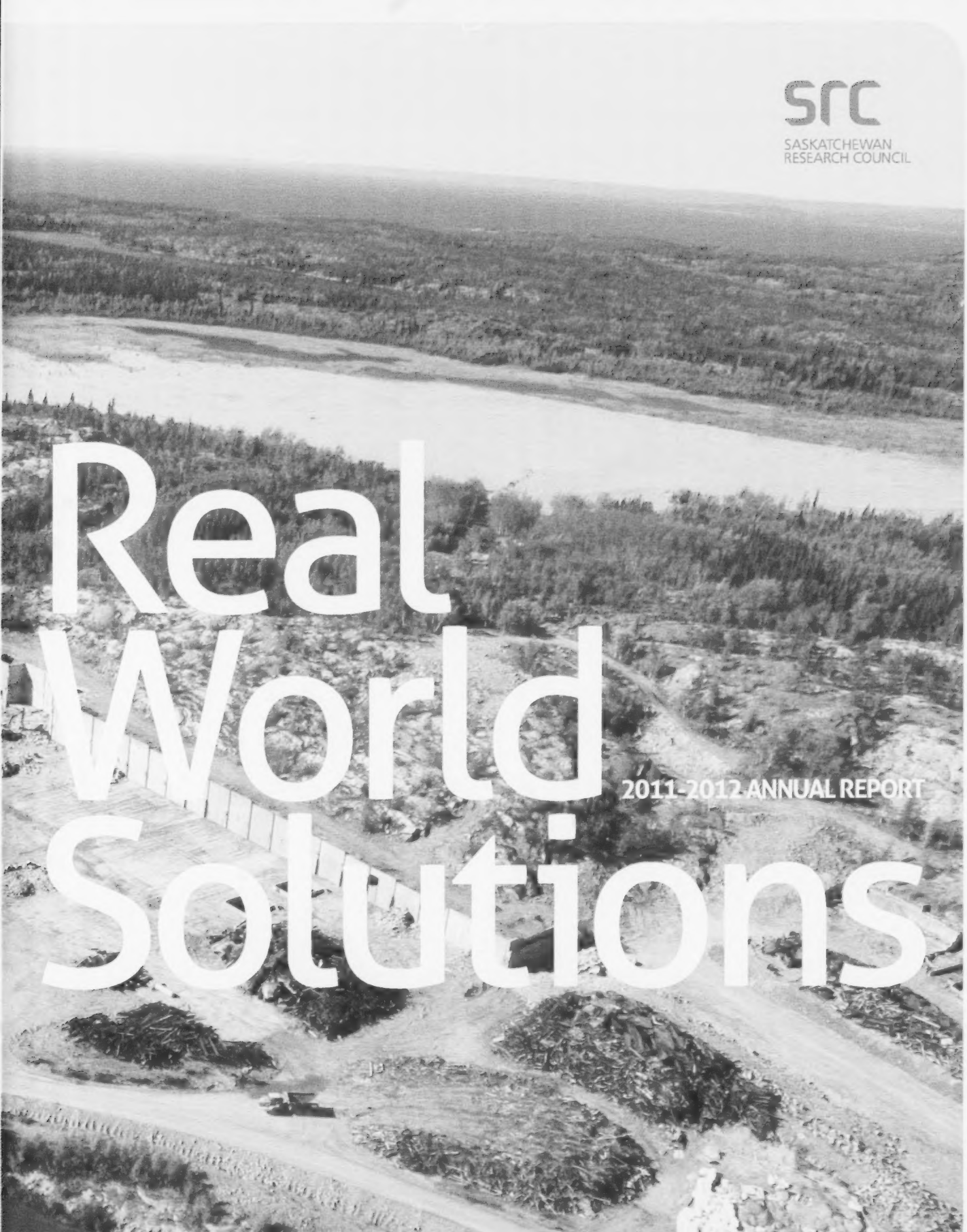


SASKATCHEWAN RESEARCH COUNCIL

Real World Solutions

2011-2012 ANNUAL REPORT

July 2012

Letter of Transmittal

To the Honourable Vaughn Solomon Schofield, Lieutenant Governor of Saskatchewan.

May it please your Honour:

The undersigned presents herewith, for your consideration, the report of the Saskatchewan Research Council for the year ended March 31, 2012.

Respectfully submitted,

Bill Boyd.

Honourable Bill Boyd
Minister Responsible for SRC

Message from the Board Chair 2

Message from the President and CEO 4

Board of Directors 7

Executive Team 8

Highlights 9

KPI 1: Shareholder Value 10

KPI 2: Financial Management 14

KPI 3: Client 15

KPI 4: Growth 18

KPI 5: People 20

KPI 6: Corporate Social Responsibility 22

KPI 7: Operational Excellence 24

Corporate Governance 28

Our Mission, Vision, Values 29

Financials 30

on the cover: *View from the air of the Gunnar Mine Site, Summer 2011.*

MESSAGE FROM THE BOARD CHAIR

This year SRC celebrates Real World Solutions, and the annual report you have in your hands includes many examples of how we help solve customer problems. For an organization as customer-focused as SRC, the emphasis on outcomes is vital.

Just for a moment, though, I want to highlight those behind the solutions. More accurately, much happens in the background before any research answer is obtained. Those background activities and the dedicated individuals who work on them are just as important to our solutions as those who are publicly recognized.

Humans like to celebrate breakthroughs and singular achievements. We honour first achievers and those who develop an "original" discovery. There is nothing wrong with that; reaching for the stars has always been an admirable feature of our species. But consider the anonymous 99 per cent who help build a technological foundation. Without that initial work, scientific discovery could not exist.

The words "science" or "technology" evoke excitement for many, not just scientists. Most of us have favourite examples of scientific accomplishments. For me, the Apollo space program was one of mankind's most magnificent achievements. Forty years after we last walked on the moon I am still awestruck that we did it. It was not just the technological breakthroughs that stand out but the careful planning, research and observation, all hallmarks of good scientific practice, which made the Apollo program a success.

Still, any researcher knows that science is rarely glamorous. Even for singular achievements like a moon landing there are few "aha" moments, and only a fleeting amount of fame and glory at the end. Most of the process is long days (and nights), time spent away from families and leisure activities, and many, many failures. Most people know the name of the first man to walk on the moon, but few of the scientists who made it possible received public recognition.

Scientific research is an iterative process based on never-ending refinement and evolution. Researchers depend on the discoveries of those who preceded them. Sir Isaac Newton is credited with the quote, but it was a 12th century theologian, John of Salisbury, who said:

"We are like dwarfs sitting on the shoulders of giants. We see more, and things that are more distant, than they did, not because our sight is superior or because we are taller than they, but because they raise us up, and by their great stature add to ours."

He was right, of course. Galileo, Einstein and Edison were undoubtedly geniuses. They deserve the recognition they have received. Yet they built their discoveries on the work of others which history has forgotten.

Oddly enough, it is the scientists who were wrong that have significant impact on the knowledge we rely on today. Darwin's development of the theory of natural selection came in large part because of difficulties with Lamarck's idea that environment shaped biological structures. Based on what we know today, Newton's theories on gravitation were simplistic and in many cases incorrect. It took Einstein to show why. Still, those theories that were wrong were necessary steps to moving forward.

This is admittedly a strange statement to include in the annual report of a research organization: **scientists are often wrong**. Put another way, science is not truth. It is the pursuit of truth, and there is a crucial difference. True scientists are not ashamed of being wrong. They welcome it as part of the process of gaining knowledge. Our best scientists seek to understand, and in this pursuit they bring society into more illuminated times.

Think about it. Five hundred years ago the best scientific minds of the day were convinced the world was flat. Were they stupid? Hardly. They would have been intelligent in any age, but they lacked the experience we have today. It took observation and exploration to develop data to show the Earth was round. Now flip forward and consider what the citizens of this planet in 2512 will think about some of our beliefs. Will they chuckle at our naiveté? Undoubtedly, but hopefully they will realize the exploration we are doing today helped set the stage for what they know to be true five centuries hence.

Although scientists can be wrong, this does not mean we disregard their findings. We live in a world of imperfect understanding and we will probably never know everything. All we can do is rely on the best information available, which has been developed in a scientifically rigorous crucible, and continue to test the models for better answers. Solutions that are right stand the scrutiny, and our knowledge improves with the others.

Elsewhere in this report, our President and CEO Laurie Schramm has admirably summarized a few of SRC's notable achievements. He and his team continue to build this organization into a world-recognized research company. But those accomplishments are just the tips of icebergs, artifacts of incredible work and dedication that is performed by everyone at SRC every day, sometimes over the course of decades.

Like the forgotten scientists of history, not everyone gets the recognition they deserve. I would like to universally thank them for their service towards science and knowledge. They show that SRC is filled with giants that are lifting others to see farther. Saskatchewan and the world will be better for it in the years to come.

Craig Zawada
Board Chair

"We are like dwarfs sitting on the shoulders of giants. We see more, and things that are more distant, than they did, not because our sight is superior or because we are taller than they, but because they raise us up, and by their great stature add to ours."

MESSAGE FROM THE PRESIDENT AND CEO

Real World Solutions is the theme of our 65th Annual Report. Fuelled by some incredibly practical and impactful work we are continuing to grow (our revenues grew by over $15 million last year). In doing so, we achieved our key goals and overall had an extremely strong and successful year. Having essentially quadrupled our revenues since 2002, the ***Real World Solutions*** theme is partly about the fabulous work of our over 400 employees, our large and diverse range of clients and partners, the breadth, depth and complexity of our projects, the real world solutions we deliver at the pace of business, and of course, it's very much about continuing to grow our positive impacts in society.

Safety is our over-riding priority and we continue to strive for leading-edge safety performance by adopting industry best practices, continuous improvement, and a steady, methodical process supported by a sustained corporate focus at all levels of the organization. We achieved another milestone along this journey by delivering a zero lost-time injury performance last year (on over 600,000 person-hours worked) despite substantially increasing the scope and complexity of our field work. Along the way we continued to roll-out our comprehensive new OH&S management system and targeted our high probability causes of injury incidents. We also continue to develop and nurture a culture in which everyone takes responsibility for safety, whether at work or not. This is important to us both in terms of corporate social responsibility and because of the statistical reality that our employees are on average much more at risk of injury "off-the-job" than they are "on-the-job."

Our continuing **mission** is to proudly deliver *smart science solutions*™, with unparalleled service to clients and colleagues, that grow and strengthen our economy. To achieve this we supply the applied research, development, design, scale-up, demonstration, commercialization, and technical services that industries need to solve problems and capitalize on emerging market opportunities, in our diverse and growing economy. By providing real world solutions to our clients' technological challenges, our demonstrable economic impacts continue to be highly impressive. To enable future growth, and with our Board's support, we launched an ambitious and aspirational new strategy, ***Strategy 2020***, which should help guide us ever further forward as an engine of innovation, economic development and prosperity in Saskatchewan and beyond.

As always, we continue to explore new frontiers. By establishing great working relationships with the biggest and best companies in Canada, we are helping attract their interest and their work into Saskatchewan. We now work for Canada's top mining and mineral; and top oil and gas companies, among other industry leaders and other sectors. Similarly, by establishing great working relationships with some of the biggest and best companies in the world we continue to help attract their interest and their work into Saskatchewan as well. We now work closely with the world's top three mining and mineral companies, and many of the world's top oil and gas companies, among others in other sectors. Similar stories are emerging in agriculture and biotechnology; alternative renewable energy; forestry, agroforestry, and afforestation; and manufacturing, in

which we continue to work with small, medium and large enterprises and communities. To cite just one example, we have partnered with Cowessess First Nation in their initiative to build a landmark utility-scale demonstration of a wind turbine energy production and battery storage system.

With a continuing need to remain current and relevant, this year we again invested heavily in new capabilities. Construction was initiated and is well underway on an expansion of our Pipe Flow Technology Centre™ facilities to enable the handling of volatile materials and high temperature and pressure test conditions, and we are preparing to launch a multi-purpose mineral processing pilot plant later in 2012.

With regard to preserving and improving the **environment**, we continue to work closely with our clients and partners on industrial emissions and releases of all kinds, from monitoring to modelling and solutions, to help industries move beyond environmental compliance and into best practices. In 2011, we launched our new central Climate Reference Station, which complements our south-central Climate Reference Station and will enable us to evaluate long-term climate trends in the area. Once again, **Project CLEANS** has scaled-up in terms of assessing and cleaning-up abandoned uranium mines in northern Saskatchewan. This past year we continued to clean-up additional satellite mine sites, advanced our assessment and planning activities for the large Lorado site, and we successfully managed the demolition of over 80 of the remaining unsafe buildings, standing structures and utilidors at the huge Gunnar mine and mill site, including the iconic Gunnar headframe. In doing so we scaled-up our northern community engagement by offering additional training courses for northern community residents and hiring half of the workforce for the 2011 demolition work from Athabasca-basin residents.

Real World Solutions is about growing in ways that enable us to sustain real world economic, environmental and social impacts from our work. As Saskatchewan's premier provider of applied research, development, demonstration and technology commercialization, success for us means creating and demonstrating such positive impacts for Saskatchewan. Our annual economic impact assessment shows that we again achieved exceptional impacts this past year with over $656 million in direct economic benefit to the province plus over $118 million worth of jobs created or maintained, for an overall impact total of over $774 million. This means that for every dollar invested in SRC, we generated a 36-times return in economic impacts. As far as we know this is an unparalleled record in Canada.

We also continue to strive to enhance these strong economic impacts by providing *Responsible Science Solutions*™ to help ensure a safe, secure and sustainable environment. Last year we undertook more than $22 million in projects aimed at creating positive environmental impacts, and we undertook more than $31 million in projects aimed at creating positive social impacts. This work contributed to at least 22,000 tonnes of greenhouse gas emission reductions and energy savings of more than 43 million kWh/year. This is the ninth year for which we have been auditing our impact contributions to Saskatchewan, and the cumulative total now comprises $4.4 billion in direct incremental economic activity.

Real World Solutions is about real people, and our successes are the result of exemplary achievements by dedicated people. For example, we received a Certificate of Appreciation from the **American Society for Quality** and KAIZEN Guru Masaaki Imai, recognizing SRC's promotion of "Lean" philosophies for economic development in Saskatchewan. Virginia Wittrock and Craig Smith (from Environment Canada) received the **Saskatoon Shines! Tourism Leadership**

"Our continuing **mission** is to proudly deliver smart science solutions™, with unparalleled service to clients and colleagues, that grow and strengthen our economy."

"Our **vision** is to become the most internationally recognized and valued science solutions company in North America."

award from the City of Saskatoon and Tourism Saskatoon. Most recently, through our combined heat and power (CHP) team's fine work, SRC won the 2012 **Environmental Excellence Award** from the Association of Professional Engineers and Geoscientists of Saskatchewan (APEGS).

I thank our employees and our Board of Directors for their enthusiasm, patience, creativity and contributions. We want to be the best employer we can possibly be, with a richly diverse and highly engaged family of employees in our journey. I also thank our Vice-Presidents, Managers and Supervisors, who continue to learn, grow and develop with me as we collectively work to lead the organization and appropriately manage our opportunities and risks of all kinds. We again achieved our key short-term business objectives including maintaining almost perfect overall client satisfaction, reinvesting in our people, tools and infrastructure, and protecting the "bottom line," while still keeping an eye on strategy and building for the long-term. Once again we ended the year more visible, stronger, more active and better positioned strategically than we entered it.

Our **vision** is to become the most internationally recognized and valued science solutions company in North America. While this is incredibly ambitious, we are becoming more visible and better known across Canada, in the United States and overseas. We are also encouraged that an increasing number of our business lines are becoming internationally recognized as the best in the world. Here are a few of my favourite unsolicited quotes from national and international stakeholders during this past year:

- *"... SRC has had a profound impact on the amount of rare earths and uranium that are recoverable at our project and shows potential for robust economics"* (from the CEO of a Canadian mineral company);
- *"... the Saskatchewan Research Council ... one of Canada's most effective research organizations"* (from a prominent Cabinet Minister);
- *"It's a research and development project, so the technical expertise that we need at that level is going to be provided, of course, by the Saskatchewan Research Council"* (from a First Nation Community Chief);
- *"...we feel that it is SRC that should be thanked and congratulated for their commitment to the future of generations to come ..."* (from a Canadian business executive); and
- *"... the Saskatchewan Research Council, industry recognized leaders in potash process testing"* (from an Australian mining & minerals company).

As I have noted above, ***Real World Solutions*** has everything to do with our employees and our collective ability to work together to manage the ever-increasing complexity of our operations, remain focused on the delivery of practical results and sustain our positive impacts in society. So, here's a huge thank you to every one of our over 400 employees for your energy, dedication, integrity and talents. You spend most of your lives at work and I thank you for choosing to work at SRC. I would also like to thank our approximately 1,900 clients and partners for their support and commitment to mutual success. We are successful when you are successful. Working together, we can continue to unlock the tremendous potential that remains latent in Saskatchewan and across Canada. With *Smart Science Solutions*™ and *Sustainable Science Solutions*™ we can unlock this potential in ways that are economically efficient, sustainable, and socially and environmentally responsible.

Dr. Laurier Schramm
President and CEO

BOARD OF DIRECTORS

back row: Dr. Peta Bonham-Smith, Patricia Cook, Ronn Lepage, Dr. Dennis Fitzpatrick, John Cross, Jamie McIntyre, Shelley Lipon

seated: Dr. Laurier Schramm — PRESIDENT AND CEO
Craig Zawada — CHAIR

EXECUTIVE TEAM

back row:	Wanda Nyirfa	BUSINESS VENTURES AND COMMUNICATIONS	VICE-PRESIDENT
	Phillip Stephan	AGRICULTURE/BIOTECHNOLOGY	VICE-PRESIDENT
	Craig Murray	MINING AND MINERALS	VICE-PRESIDENT
	Ernie Pappas	ENERGY	VICE-PRESIDENT
	Toby Arnold	ORGANIZATIONAL EFFECTIVENESS	VICE-PRESIDENT
	Joe Muldoon	ENVIRONMENT	VICE-PRESIDENT
seated:	Dr. Laurier Schramm	PRESIDENT AND CEO	
	Crystal Nett	FINANCE, SAFETY AND RISK	CFO AND VICE-PRESIDENT

2011 – 2012 HIGHLIGHTS

In the past year, for every dollar invested in SRC, the Council generated a **36-TIMES** return in economic activity. That translates into SRC's work contributing more than **$656 MILLION** in direct economic benefits to the province.

We undertook over **$53 MILLION** in projects aimed at creating positive environmental and/or social impacts, which reduced and/or prevented at least **22,000 TONNES** of greenhouse gas emissions and over **43 MILLION KWH/YEAR** in energy savings.

Our work resulted in creating or maintaining **1,894 JOBS** in Saskatchewan, valued at **$118 MILLION**.

1

KEY PERFORMANCE INDICATOR:

SHAREHOLDER VALUE

OBJECTIVE	MEASURE	2011-2012 ACTUAL RESULTS	2011-2012 TARGETS
SHAREHOLDER VALUE Strengthen the Saskatchewan economy with quality jobs and a secure environment through the responsible application of science and technology.	**1.1 Economic impact** Economic impact of SRC as measured by the annual economic impact assessment.	>$656M	≥$300M
	1.2 Quality jobs Number of jobs created or maintained in Saskatchewan as measured by the annual economic impact assessment.	>1,894	≥ 2,000 jobs
	1.3 Environmental and/or social impact Total dollar value of projects focused on or containing a substantial component of achieving positive environmental or social impacts.	>$53M	≥$10M

Innovative Solutions to Aging Infrastructure

How do Saskatchewan cities deal with the problems of aging infrastructure? This question was posed at a brainstorming session co-hosted by leaders from eight Saskatchewan cities and Communities of Tomorrow, a public-private partnership that advances municipal infrastructure innovation.

Replacing public infrastructure systems is historically a taxing, costly task. Collaboration among a cluster of organizations, including SRC, is generating ideas to implement cost-effective and innovative solutions to help municipalities prepare for sustainable growth.

The End-to-End Service Connection Design Project was initiated as a response to the

left: *In Regina, the Pipe Removal and Replacement System is lowered into the excavation hole where it will be used to remove a lead water line and replaced with a new copper line.*

challenge of repairing and replacing aging water service connections in municipalities across Saskatchewan.

In the City of Regina alone, there are over 6,000 underground water pipes that are aging and will require replacement in the near future. "If you can do something 6,000 times and you can save 500 dollars per time, that's a significant saving," notes Michael Zaplitny, Project Manager at Communities of Tomorrow.

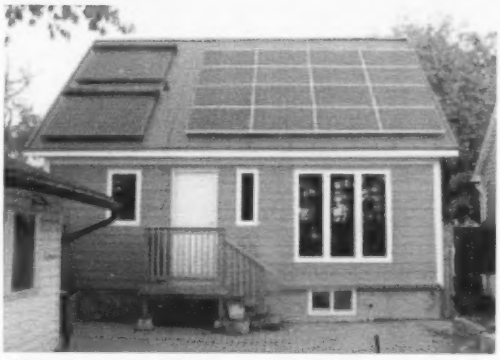
SRC's expertise is being used to develop a high-efficient service connection system that will be adaptable throughout the municipalities of Saskatchewan. Besides saving cities approximately 40 per cent to replace water connections, the new systems also significantly reduce property excavation.

Efficient and Renewable Energy EQuals Sustainable Solutions

Do you wish you could reduce your water and heat consumption without compromising budget, style and comfort? Do you wish you could produce as much energy as you consume? The Canada Mortgage and Housing Corporation (CMHC), with help from SRC, is working to make this a reality.

Project teams selected by CMHC have designed and constructed healthy, resource efficient, affordable, net-zero energy homes. From an energy-efficient duplex in Edmonton that aims to produce more energy than it uses, to a retrofitted wartime home in Toronto that can recover heat from its wastewater, the EQuilibrium™ Sustainable Housing Demonstration Initiative is showcasing homes in almost every province in Canada.

"It's a marvelous project," notes Kelly Winder, Senior Research Engineer of SRC's High Performance Building initiative. "We are getting lots of valuable information from it which has led to other opportunities in the industry. We are doing research with the knowledge we have gained to transfer into local projects."



above: *The Riverdale NetZero home in Edmonton, AB.*

left: *The Now House in Toronto, ON.*

SRC's role is to develop ways to monitor the energy consumption in each home. All the houses are built with different energy sources and savings in mind, such as double wall construction, quadruple pane windows, photovoltaic systems that convert sunlight directly into electricity and ground source heat pumps. SRC then reports the findings to CMHC, while tracking which designs are most successful.

SRC's involvement in the EQuilibrium™ project has generated a wealth of information on the design and construction of high-performance homes. "Our company has engaged SRC to provide their expertise in the design of several of our smart green homes," said Ronn Lepage, President of VerEco Homes Inc. "We consider ourselves very lucky to be able to find such knowledgeable resources right here in Saskatchewan."

Winder and other members of the High Performance Building Initiative team have

"We are doing research with the knowledge we have gained to transfer into local projects."

– Kelly Winder,
Senior Research Engineer, SRC

been busy doing presentations on energy efficient and high performance building systems at events across Saskatchewan. The national exposure of the housing project has bolstered SRC's credibility as a "go-to" organization in sustainable building.

SRC continues to be a leader in the development of sustainable housing technologies in a variety of market segments.

SRC's Natural Gas Hybrid – A Clean, Green Machine

We know that natural gas can heat our homes and power our barbecues, but did you know it can also be used to fuel your car? SRC engineers have successfully adapted a GMC Yukon Hybrid to operate on natural gas. Once powered by a combination of gasoline and electric power, the hybrid now contains a proprietary, SRC-designed Electric Control Unit that permits the vehicle to run on a combination of fuels, for all driving conditions.

below: *SRC's Dual-Fuel™ GMC Yukon Hybrid.*

SRC has been involved in the research and development of alternative fuels for several years and the success of the Yukon Hybrid project showcases its expertise in this field. A Canadian patent is currently pending, entitled: *Method and System for Powering an Otto Cycle Engine Using Gasoline and Compressed Natural Gas.* The fuel control system blends and delivers a mixture of natural gas and gasoline that maintains power output, improves fuel-use efficiency and reduces noxious emissions.

Mike Sulatisky, Principal Research Engineer at SRC, has put in countless hours of work on this project and has first-hand knowledge of the system and its potential. "Natural gas vehicles are definitely in our future given the low price, 100-year supply and low emissions benefits. The use of alternative fuels to power vehicles is becoming more prevalent as environmental awareness increases and the price of gasoline rises."

A fuelling station infrastructure is in place for natural gas vehicles across North America giving accessibility to one of the cleanest alternative fuels available.

SRC's ongoing research and demonstration of alternative-fuelled vehicles contribute to a more sustainable transportation system in Saskatchewan and nation-wide.

SRC BY THE NUMBERS

0 lost-time injuries on over **600,000** person-hours worked

91% of SRC employees participated in injury prevention training in the last year

SRC placed **71st** in Saskatchewan's top 100 companies (2011)

8,931 hours of skills training, averaging **22.4** hours per employee

Over **$5000** in scholarships awarded to employees' children for post-secondary education

7 students working in practicum placements

18% of employees at SRC are visible minorities

134 new hires between 2010 and 2012

51% of employees at SRC are women

SRC saw a dramatic increase in social media presence with **644%** more YouTube views, **119%** increase in Twitter followers and **44%** more Facebook Fans in the past year

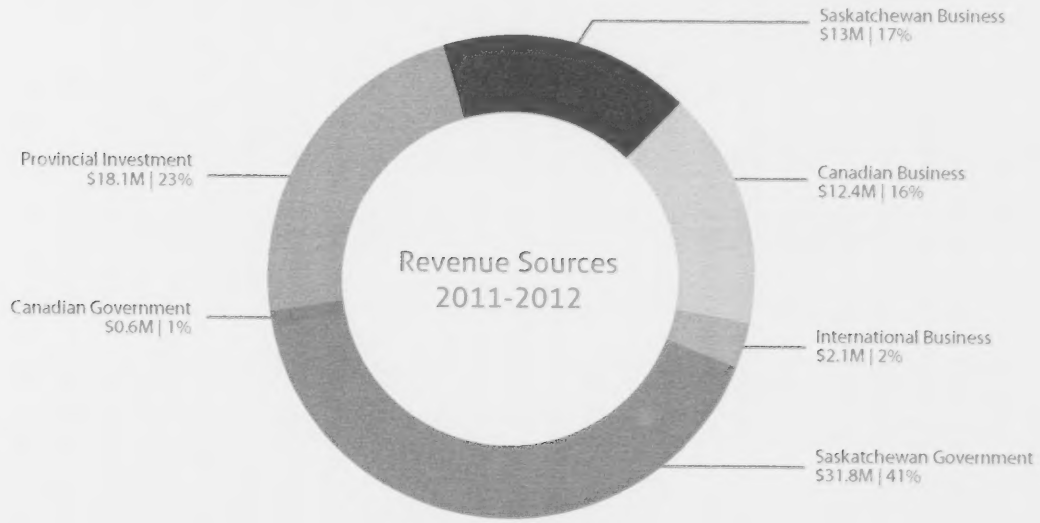
SRC turned **65** in 2012!

2

KEY PERFORMANCE INDICATOR:

FINANCIAL MANAGEMENT

OBJECTIVE	MEASURE	2011-2012 ACTUAL RESULTS	2011-2012 TARGETS
FINANCIAL MANAGEMENT Provide a positive financial return, utilize provincial investment (PI) appropriately, and purchase appropriate capital assets each year.	**2.1 Net income** Consolidated net income from SRC operations before Pay-at-Risk payments.	$3,002k	$706k
	2.2 Mandate effectiveness Mandate effectiveness as measured by the annual economic impact assessment. ($ economic impact/$ provincial investment)	>36	≥35
	2.3 Investment in the future Investment in the future as measured by the dollar amount of provincial investment utilized in Innovation Fund and other capacity building projects.	$802k	$750k
	2.4 Capital asset purchases Purchase of appropriate capital assets (equipment and leasehold improvements) including both renewal and capacity building.	$5.4M	≥$5M



3

KEY PERFORMANCE INDICATOR:

CLIENT

OBJECTIVE	MEASURE	2011-2012 ACTUAL RESULTS	2011-2012 TARGETS
CLIENT Understand and deliver quality results that our clients value.	**3.1 Client survey results** Client satisfaction as measured by annual client survey results:		
	• clients that would return to SRC.	98%	>95%
	• clients that would refer SRC to others.	99%	>95%
	• very satisfied or satisfied with overall quality of the product or service received.	96%	>95%

Serving mineral exploration and mining clients; from exploration for uranium, gold, diamonds, potash and base metals to decommissioning planning, SRC's Mining and Minerals Division is world-renowned for their commitment to quality services and the environment.

"We presented SRC with an abnormal thin section preparation problem and they solved the problem in a very timely manner. We are very satisfied and would not hesitate to recommend SRC's services."

- John Rowson, Scientific Advisor, Areva Resources Canada Inc.

"This work at SRC has had a profound impact on the amount of rare earths and uranium that are recoverable at our project and shows potential for robust economics."

- Alan Shefsky, President and CEO, Pele Mountain Resources

"It's been a really good opportunity for us to work with SRC, because there are not many labs where you can go in and work with them as closely as we have. It's almost like we've got our own lab, but then you've got all the facilities there and back-up for mineralogy and assaying work.

- Richard Hogan, Vice-President of Operations, Great Western Minerals

"We have found that SRC is able to meet our needs when other 'proven' labs have fallen short. We have now moved most of our processing business to SRC."

- James Tuer, President, Hudson Resources Inc

"SRC is still recognized as the world standard lab for potash. It still enjoys that reputation around the world. And Saskatchewan is the potash capital of the world, so what better place to have the lab."

- Dr. Peter MacLean, Senior Vice-President of Exploration, Allana Potash

SRC's Air Quality Monitoring group performs regular compliance testing along with performance tests and high temperature stack sampling, carried out for a wide range of metals. The methodology employed at SRC is recognized by Environment Canada and the U.S. Environmental Protection Agency.

"The only people that could do what we needed was SRC, because they're the only ones with the equipment that can actually do a live, on-stream, *in situ* air sample that collected this material that tells us what the properties of the material were."

- **Adriaan Huiberts,** Project Manager, Key Lake Operation, Cameco

above: *An example of the stack sampling train used to collect particulate and gaseous emissions from a stack.*

Working with clients from scale-up to production on a wide range of pre-clinical fermentation and veterinary biologics production, SRC's Biomanufacturing Unit operates a world-class, Biosafety Level 2 fermentation pilot plant and is Canada's only contract research organization with a Canadian Food Inspection Agency licence.

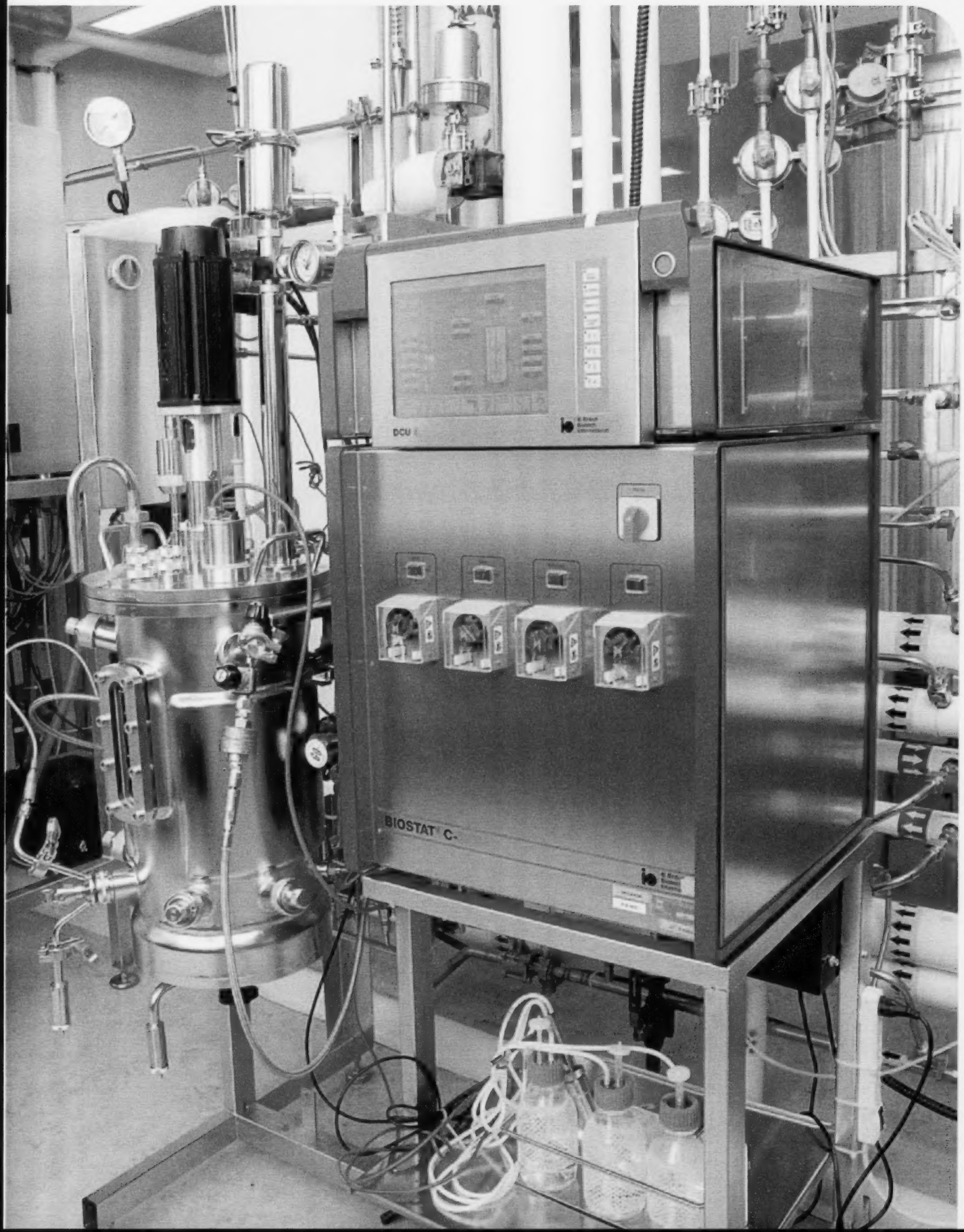
"SRC really had the best cost-benefit analysis for us in terms of what they had to offer."

- **Dr. Gillian Vandermeirsch,** Operations Manager, Qu Biologics

"SRC has done a great job under difficult circumstances and has been terrific in providing updates."

- **Stuart Falk,** Research Principal, Scotts Miracle-Gro Company

right: *SRC's Biosafety Level 2 BioManufacturing facility conducts state-of-the-art research and product testing for a variety of clients.*


DCU
BIOSTAT C-

4

KEY PERFORMANCE INDICATOR:

GROWTH

OBJECTIVE	MEASURE	2011-2012 ACTUAL RESULTS	2011-2012 TARGETS
GROWTH Grow SRC's revenue base in order to achieve and maintain critical mass in each business area, to be able to expand our service offerings, and to be able to deliver additional impacts under KPI #1.	**4.1: Revenue growth** Increase in total outside revenue.	$15.3M	$10M

5

KEY PERFORMANCE INDICATOR:

PEOPLE

OBJECTIVE	MEASURE	2011-2012 ACTUAL RESULTS	2011-2012 TARGETS
PEOPLE Develop, inspire and motivate SRC's employees.	**5.1: Employee engagement** Employee engagement as measured by annual Employee Engagement Survey results:		
	• improve SRC's overall employee engagement.	47%	≥60%
	• reduce the variation in engagement between SRC's divisions as measured by the spread.	40%	<70%
	5.2: Appropriate capacity and skills development Appropriate training is supported and financed for employees.	completed	100% of targeted training for the year
	Implementation of a training and development framework plan.	>90% completed	>90% completion
	5.3: Appropriate compensation Appropriate performance-based compensation is delivered, as measured by having sufficient net income earned and objectives delivered to support payment of performance-based compensation.	Produced sufficient net income to pay 100%	Pay ≥90% of Pay-at-Risk (PAR) plans
	5.4: Provide a safe and healthy workplace		
	• Minimize lost-time incidents (LTIs) *(per 200,000 hours worked).*	Zero	<1.25
	• Deliver the key priorities outlined in each year's update of the SRC Safety Strategy.	>90% completed	>90% completion
	• Strong positive annual employee survey results in safety categories:		
	- Percentage of employees that self-assess as being deeply or quite involved in health and safety initiatives at SRC.	35%	≥50%
	- Percentage of employees that self-assess as being very or moderately satisfied with the safety performance of SRC.	94%	≥75%
	5.5: Diversity Create an environment that values diversity.	>90% completed	>90% completion
	• Implement key priorities outlined in each year's update to the Diversity Strategy.		

Cheers to Volunteers

The spirit of volunteerism is alive and well at SRC. Charlene Hudym, Ashley Regan and Melissa Tackaberry-Syed have accumulated over 20 years in combined mentorship to Junior Achievement (JA) of Saskatchewan.

Since 1998, SRC has sponsored a JA company and SRC employees have volunteered to guide the groups – helping them produce and sell items such as gel candles, blooming flower pens, duct tape wallets, an ergonomic shovel and the latest product – GreenSleeves Cup Huggers; a reusable fabric sleeve that insulates and protects against the heat of a coffee cup.

The mentors not only provide guidance in the production of the items, but also advise the students about the business management process underlying the development and sales of the products.

Hudym, who has been volunteering with JA since 2000, is proud of the students' commitment over the years and is especially impressed with this year's group. "Since I have been part of the program, we as advisors have made an effort to get the achievers to think 'outside the box' and not just make what they know," she explains. "I am really proud of our latest team," she adds. "They've put a lot of thought into the production of their product. They won the commercial contest this year and their product has sold extremely well."

SRC's JA volunteers

SRC Surpasses Record Safety Performance with Zero Lost-Time Injuries

Driven by leadership and commitment, SRC's Occupational Health and Safety's (OH&S) new management system focuses on updating and improving key processes related to health and safety. This year's targets were improving incident reporting and investigation, hazards and risk identification, assessment and control.

SRC's 2011-12 OH&S performance can be summarized by the following list of key initiatives and achievements:

- **Zero Lost-Time Injuries (LTI):** SRC marked a banner year with zero lost-time (more than a day) on-the-job injuries during 2011-2012. That is equivalent to more than 600,000 person-hours without an LTI.
- **Safety Training:** In addition to regular safety training courses given throughout the year, employees attended injury prevention training developed specifically to address an increasing trend of musculoskeletal injuries, repetitive strain and slip/trip/fall injuries.
- **Health & Safety Leadership Charter:** In 2010, SRC made a public commitment to safety by signing WorkSafe Saskatchewan's Health and Safety Leadership Charter to reduce, and one day eliminate, on- and off-the-job injuries. This year, SRC continued its efforts by addressing off-the-job safety initiatives.
- **Leadership and Commitment:** SRC's Executive Team and senior managers conducted 75 safety walk-abouts to identify health and safety issues and discuss concerns with employees in areas across the organization.
- **Promotional Safety Video:** Employees created, acted in and produced an internal video to communicate the benefits of near miss incident reporting, off-the-job safety awareness and a healthy lifestyle.

left: *Employees at the Gunnar Mine Site*

6

KEY PERFORMANCE INDICATOR:

CORPORATE SOCIAL RESPONSIBILITY

OBJECTIVE	MEASURE	2011-2012 ACTUAL RESULTS	2011-2012 TARGETS
CORPORATE SOCIAL RESPONSIBILITY Conduct business in a socially and environmentally responsible manner.	**6.1: Corporate Social Responsibility** Implement key priorities outlined in each year's update to the Corporate Social Responsibility Strategy.	>90% completed	>90% completion

Community Spirit Runs High at SRC

SRC is proud of its employees who are generous with their time and give back to the community. Over the past year, employees have run long distances, commandeered dragon boats and grew facial hair all in the name of helping others.

Money raised through various efforts went towards organizations including breast and prostate cancer research, the Heart and Stroke Foundation and the Children's Hospital Foundation.

A school supply drive held in the fall was one of SRC's Corporate Social Responsibility initiatives. Employees brought in hundreds of items ranging from glue sticks and crayons, to binders and backpacks. The supplies were given to children who had fled from domestic violence and weren't able to bring their belongings. "We recently had children who did not have school supplies and it was wonderful to share these with them," said Sandra Nourse, Program Facilitator at Saskatoon's YWCA Crisis Shelter and Residence. "Not only was it a practical contribution, but it was a special treat at the same time."

Teams of volunteers from across SRC also helped ensure that less fortunate families had a more enjoyable Christmas with donations of food hampers and children's toys. "We are truly blessed to have people like those at SRC who care so much," says Debbie Nainaar-Cowper, Home School Liaison for St. Frances School in Saskatoon. "Their generosity has made a difference to families in need."

top: *Collected school supplies*
bottom: *Miles for Smiles team*

Transparency Key in Sustainability Reporting

Did you know that SRC was one of the first organizations of its kind in Canada to register a corporate sustainability report with the Global Reporting Initiative™ (GRI)? GRI is the standard for reporting on economic, environmental and social performance that is used by companies of all sizes and types around the world.

A responsible corporate organization, SRC's sustainability standards and performance are open and transparent. Last year, SRC had its first corporate social responsibility report published, then followed up with submitting the report for GRI approval.

"One of SRC's key strategic goals is to conduct business in a socially and environmentally responsible manner," said Wanda Nyirfa, Vice-President of Business Ventures and Communications. "Tracking our performance using the GRI guidelines is one way that SRC can stay accountable and on-track while growing in a sustainable way."

Reporting sustainability performance gives credence to projects that save energy, reduce greenhouse gases (GHGs) and benefit the economy.

SRC applies its expertise to help ensure high environmental and economic standards and as such, holds itself accountable to those same standards.

Healthy Homes, Healthy Employees

What is invisible, odourless, potentially deadly – and possibly lurking in your basement? This was the question posed last November to help raise public awareness about the dangers of radon gas, the second leading cause of lung cancer in Canada.

SRC's Development Engineering and Manufacturing section developed the plastic mold canister and chip holder as an easy-to-use testing device that analyzes radon levels over a 90-day period. Environmental Analytical Laboratories then purchased and commissioned a system to read the chips using computerized imaging.

"Radon testing is critical because of the role it plays in causing lung cancer. Radon is simple to test for and when you receive your results, you know if you have to take other steps to eliminate it from your home," said Brenda Stanek, Manager of Environmental Analytical Laboratories. "We previously only did the short-term, 48-hour test which is used when you need a quick result. Health Canada recommends the longer term 90-day test as it gives a more accurate indication of average radon levels, and the new system allowed us to do that testing."

SRC's radon testing services were applauded by the Lung Association of Saskatchewan at their Annual General Meeting where they presented SRC with a Certificate of Recognition.

"We have enjoyed working with SRC over the past several months," said Jennifer Miller, Vice-President of Health Education for The Lung Association of Saskatchewan. "We were delighted to be part of the social media campaign which ran during Radon Awareness Month to educate the residents of Saskatchewan and we are happy to promote the radon video."

The success of the campaign and corresponding social media contests have led to an increase in the purchase of radon test kits from SRC's Environmental Analytical Laboratories.

SRC applies its expertise to help ensure high standards of public and environmental health for people throughout the province and across the country.

Real-World Problems Solved at Take Our Kids to Work Day

It was all about innovation and invention this year during SRC's Take Our Kids to Work Day. Fourteen bright Grade 9 students from across Saskatoon and area spent the morning learning about SRC and solving real- world problems.

This might sound like a tall order for such a young group, but after splitting into two teams, the students readily accepted the challenge to brainstorm, design and build a prototype that would address a real problem people face.

Working with SRC's Development Engineering experts, the teams produced two creative prototypes: the E.Z. Scraper and the Eco Sail Turbine. Both teams gave presentations to the group, describing the features and functionality of their prototypes.

SRC offers 2 types of radon tests:

- 48 hour *(for home buyers)*
- 90 day *(for home owners)*

7

KEY PERFORMANCE INDICATOR:

OPERATIONAL EXCELLENCE

OBJECTIVE	MEASURE	2011-2012 ACTUAL RESULTS	2011-2012 TARGETS
OPERATIONAL EXCELLENCE Achieve and maintain excellence in operational processes.	Update continuous improvement initiatives and targets each year and implement key priorities outlined in each annual update:		
	7.1: Technical Excellence Strategy	>90% completed	>90% completion
	7.2: Communications/Branding Strategy	>90% completed	
	7.3: Enterprise Risk Management (ERM) Strategy	>90% completed	
	7.4: Quality Management Strategy	>90% completed	

"It's basically one of the biggest challenges I've ever had the honour of participating in and it's good to be a part of a solution."

– Dr. Tamara Yankovich, SRC's Project Manager for the Gunnar Mine site.

Project CLEANS Marks First Major Milestone

Significant progress was made at the former Gunnar Mine site as a major task of Project CLEANS (Cleanup of Abandoned Northern Sites) was completed safely, on time and on budget, while engaging the local community. Approximately 80 buildings and structures – including Gunnar's landmark headframe – were successfully brought down.

Project CLEANS is a multi-year project to assess and reclaim 38 uranium mine sites in northern Saskatchewan. Started in 2006, SRC is managing this project on behalf of the federal and provincial governments.

SRC's Project CLEANS team took action to assess safety and health risks at the Gunnar Mine site in 2010 and 2011, by first securing the site and then taking down any buildings posing threats at the site. By drawing on professional and technical resources from across SRC, as well as input from external consultants, the team successfully assessed these potential risks.

Besides the successful demolitions at Gunnar, an inventory of hazardous substances was completed in September of 2010 in compliance with a Canadian Nuclear Safety Commission (CNSC) order. Contaminant levels in pit and seepage water were also reduced in order to meet Saskatchewan Surface Water Quality Objectives (SSWQO).

According to Dr. Tamara Yankovich, SRC's Project Manager for the Gunnar Mine site, it is the sheer diversity of the skillsets of the people involved in the project that contributed to this first milestone.

"There's no way to get a project of this scale done without all the different expertise and shared commitment," explains Dr. Yankovich. "It's basically one of the biggest

challenges I've ever had the honour of participating in and it's good to be part of a solution."

An important aspect of the Gunnar project is keeping the local communities engaged, both by informing northern residents about the project and receiving feedback and advice. One of the key platforms in which SRC provides information to northern residents and receives feedback is through community meetings. Thirteen community meetings were held last year, giving the community several opportunities to stay current on Project updates.

To promote further communication, a Project Review Committee, consisting of northern Aboriginal leadership, was established and CLEANS information has been translated to Dene and communicated through radio ads, flyers, posters and newspapers.

Maintaining a hazard- and injury-free environment at the Gunnar Mine Site is the Project's highest priority; both for employees and members of the community. A multi-faceted approach ensures numerous precautions are taken, including extensive safety training programs for workers, daily safety meetings and routine site inspections.

Site inspections were conducted by SRC personnel, the Gunnar Project Manager and SRC's Manager of Safety Services to ensure appropriate safety measures were being taken with respect to regulatory requirements. Independent experts were also consulted, including a provincially-recognized asbestos expert. Contractors on the site were then coached to improve the safety culture among employees.

As a result of intense planning and adherence to safety, zero lost-time injuries on site occurred. This is a significant achievement given the hazards at the remote site and the demolition activity that occurred.

SRC applies its expertise to a wide variety of environmental concerns, from assessment and mitigation, through adaptation and remediation. Projects like CLEANS help ensure Saskatchewan is a sustainable and safe place to live.

above: *The Gunnar Mine site headframe was safely taken down on August 4, 2011.*

Monitoring Central Saskatchewan's Climate

Is it cold enough for you? How much rain did you get last night? When is this winter going to end? Climate and weather seems to be everyone's favourite topics of conversation. SRC's newest principal climate reference station helps answer those critical questions and a whole lot more.

Located just south of Prince Albert, Saskatchewan, at the Conservation Learning Centre, the climate reference station is now in its first full year of operation. This particular site was chosen because it fit the requirements set forth by Environment Canada – located in a rural environment and free from vertical obstructions to give accurate readings.

Data from instruments that collect information such as temperature, precipitation amounts, snow depth and bright sunshine are used by a wide variety of organizations including the agriculture and forest industries, insurance agencies, construction firms and media.

"If you think about it, weather has a huge impact on many of the things we do as individuals, let alone as organizations," said

" I have seen hundreds and hundreds of weather stations across Canada, and I would call this one a work of art, with the attention to detail, and the beauty, and the time and effort in design that went into it."

- Brian Day, President and CEO of Campbell Scientific Canada Corp.

Virginia Wittrock, Research Scientist in SRC's Air and Climate section. "SRC uses the data collected from the station to evaluate long-term climate trends, like early warning signs for extreme events such as floods or droughts."

At the public launch of the site last summer, Brian Day, President and CEO of Campbell Scientific Canada Corp. – one of the site's main supporters – admired the precision of the site.

"I have seen hundreds and hundreds of weather stations across Canada, and I would call this one a work of art, with the attention to detail, and the beauty, and the time and effort in design that went into it," he said. "I have to commend your installation team for all that they did."

There has been a need for a comprehensive climate station in Central Saskatchewan to provide accurate climatological data. Information gathered at the Prince Albert station will allow SRC to evaluate long-term climate trends in the area and give clients high-quality, accurate readings to enable efficient decision-making.

SRC continues to be a leader in climate change research, helping people and organizations across Canada understand climate issues and prepare for the future.

Prairie Grasslands Predicted to Head North

A Saskatchewan Research Council ecologist has gained national media attention with findings complementing a NASA study on the effects of climate change on global ecosystems. Both studies reach similar conclusions that much of Alberta, Saskatchewan and Manitoba will be vulnerable to ecological changes over the coming century.

SRC Principal Scientist Dr. Jeff Thorpe recently published *The Vulnerability of Prairie Grasslands to Climate Change*, a study which predicts the Prairies will see major shifts northward of plant and

below: *Official unveiling of SRC's newest Climate Reference Station.*

animal species over the next 100 years. Dr. Thorpe's findings are consistent with those of a NASA-funded study called *Ecological sensitivity: a biospheric view of climate change*, released earlier this year.

According to Dr. Thorpe's study, the southern edge of the forest will be replaced by aspen parkland and grassland, with current Canadian grassland types replaced by those found in the U.S. Great Plains – essentially changing current land uses in the Prairies.

"Parts of the southern forest will probably become more and more open," said Dr. Thorpe. "Some of the trees will start to thin out, creating a landscape more suitable to ranching than for forestry."

The outcomes predicted by this study will require a certain amount of adaption from the forestry sector according to Dave Knight, General Manager of Sakaw Askiy Management. He says they have continuously adapted to changes for years and Dr. Thorpe's report will provide information going forward.

"There's an old saying that says 'nature to be commanded must first be obeyed'," says Knight. "We just have to manage through the change and history has shown that we're able to do that."

SRC has been tracking climate change for almost 50 years and contributes to strategies that help respond to changes in Saskatchewan and around the world.

SRC Streamlines Risk Management

All organizations face risk – whether it is managing a large project or making a decision about the future. Risk is inherent and therefore must be managed continuously.

Revisions to SRC's risk structure were recently completed. Beginning in 2010, the reporting process to the Board of Directors and Executive Team was streamlined to provide risk owners with the level of information required to effectively manage risks.

above: *Principal Scientist, Dr. Jeff Thorpe, being interviewed about his study's results.*

To accomplish this, all risks were reviewed by their risk owners and data was collected to ensure it met the required needs. In addition, SRC's risk database software has been enhanced with a dashboard that provides summarized information at a glance. A pilot of the new electronic format is nearing completion.

Work completed in the past two years has positioned SRC to see significant gains in efficiency to its risk system in the upcoming fiscal year. The next areas of focus include improving the timeliness of risk data and further integrating risk management principles into SRC's processes.

SRC's continuous evolution of its risk management program is a tangible example of the organization's commitment to maintain internal process excellence.

SRC has been tracking climate change for almost 50 years and contributes to strategies that help respond to changes in Saskatchewan and around the world.

CORPORATE GOVERNANCE

Authority

The Saskatchewan Research Council (SRC) is a Saskatchewan Treasury Board Crown Corporation governed by *The Research Council Act*. Within this framework, the Board of Directors (Board) formulates policy and delegates the responsibility and authority for the ongoing management of the corporation to the President and CEO.

Board Responsibilities

The Board ensures that the activities of the corporation are carried out under the terms of *The Research Council Act*. The Board oversees the stewardship of the corporation and has responsibility for strategic planning, risk oversight and monitoring of financial and business performance. The Board ensures that management has systems in place to identify and manage the principal risks of the corporation's business.

Board Composition and Compensation

The SRC Board is comprised of nine members with a diverse combination of knowledge and expertise. The members represent a cross-section of SRC's stakeholder community.

Eight directors, including the Chair, are independent of SRC management. The one related director is the President and CEO of the corporation.

Board members (except for members who are government employees) receive a retainer and an honorarium for meetings attended. The level of compensation is established by Treasury Board. Members are allowed travel and associated expenses at SRC-approved rates.

The Board and Management

The Board focuses on the strategic leadership of the corporation and does not become involved in day-to-day management, but delegates and entrusts operational decisions to management, holding management accountable for the corporation's performance, long-term viability and the achievement of its objectives.

Committees

The Board has established the following committees to address specific areas of Board responsibility:

Audit and Finance Committee

The Audit and Finance Committee is responsible for monitoring, advising and making recommendations to the Board regarding all aspects of financial planning and the financial management of the corporation. The Audit and Finance Committee acts as the communication link between the Board and the Provincial Auditor.

Governance and Nominating Committee

The Governance and Nominating Committee is responsible for monitoring, advising and making recommendations to the Board regarding the governance strategy of the corporation, assessing and evaluating Board and CEO performance, administering the Board-CEO relationship and assessing and monitoring the risk framework.

OUR MISSION

We proudly deliver smart science solutions, with unparalleled service to clients and colleagues, that grow and strengthen our economy.

We embrace our safe, creative, and diverse work environment, which enables us to excel personally and professionally.

We live by our core values to build a better world.

OUR 2020 VISION

Driven by our passion for a better world, we will break boundaries to become the most internationally recognized and valued science solutions company in North America by 2020.

OUR CORE VALUES

Integrity: We deal with people and organizations honestly and ethically.

Respect: We treat people, property and the environment with respect.

Quality: We deliver quality to clients and colleagues.

One Team: We work together in the best interests of SRC.

REPORT OF MANAGEMENT

Year ended March 31, 2012

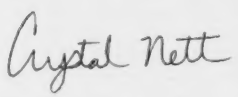
The accompanying financial statements are the responsibility of the management of the Saskatchewan Research Council (the Council). They have been prepared in accordance with International Financial Reporting Standards, using management's best estimates and judgments, where appropriate.

Management is responsible for the reliability and integrity of the financial statements, the notes to the financial statements, and other financial information contained in this report. Management is also responsible for maintaining a system of internal controls, policies and procedures designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board is assisted in exercising its responsibilities through the Audit and Finance Committee, which is composed of five non-management directors and one management director. The Committee meets periodically with management to satisfy itself that management's responsibilities are properly discharged, to review the financial statements and to recommend approval of the financial statements to the Board.

The Provincial Auditor of Saskatchewan has audited the Council's financial statements in accordance with Canadian generally accepted auditing standards and her report follows.

Laurier Schramm
President and CEO



Crystal Nett, CA
Chief Financial Officer and Vice-President, Finance, Safety & Ris

June 18, 2012

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying consolidated financial statements of the Saskatchewan Research Council, which comprise the consolidated statement of financial position as at March 31, 2012, March 31, 2011 and April 1, 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in province's equity and consolidated statement of cash flows for the years ended March 31, 2012 and March 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

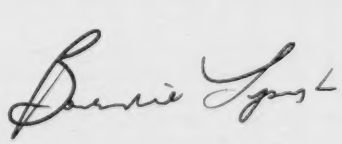
My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Saskatchewan Research Council as at March 31, 2012, March 31, 2011 and April 1, 2010, and the results of its consolidated operations and its consolidated cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with International Financial Reporting Standards.



Regina, Saskatchewan
June 18, 2012

Bonnie Lysyk, MBA, CA
Provincial Auditor

STATEMENT 1

SASKATCHEWAN RESEARCH COUNCIL
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31 (Thousands of dollars)

	March 31, 2012	March 31, 2011	April 1, 2010
ASSETS			
Current assets:			
Cash and cash equivalents	$ 12,555	$ -	$ 2,420
Accounts receivable	8,018	14,862	10,574
Prepaid expenses	1,316	1,227	183
	21,889	16,089	13,177
Non-current assets:			
Accrued pension benefit asset (Note 4)	-	153	46
Restricted investment (Note 5)	651	665	641
Trust investment (Note 9)	2,074	2,052	2,028
Property, plant and equipment (Note 6)	30,605	29,575	26,741
	$ 55,219	$ 48,534	$ 42,633
LIABILITIES AND PROVINCE'S EQUITY			
Current liabilities:			
Bank indebtedness	$ -	$ 399	$ -
Accounts payable	5,016	8,092	4,752
Unearned revenue	9,843	5,000	6,149
Deferred revenue (Note 8)	783	632	654
Salaries, wages and vacation payable	2,019	1,708	1,411
	17,661	15,831	12,966
Non-current liabilities:			
Accrued pension benefit liability (Note 4)	67	-	-
Sick leave benefits payable	177	195	195
Decommissioning provision (Note 9)	6,186	4,795	3,064
Deferred revenue (Note 8)	5,635	3,902	3,126
	29,726	24,723	19,351
Province's equity:			
Contributed surplus	922	922	922
Retained earnings - unappropriated (Statement 3)	23,920	22,224	21,719
Retained earnings - appropriated (Statement 3)	651	665	641
	25,493	23,811	23,282
	$ 55,219	$ 48,534	$ 42,633

(See accompanying notes to the financial statements)

STATEMENT 2

SASKATCHEWAN RESEARCH COUNCIL
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended March 31 (Thousands of dollars)

	2012	2011
Revenue:		
Contracts	$ 59,916	$ 46,268
Transfer from General Revenue Fund	18,133	16,633
	78,049	62,901
Expenses:		
Contract services	29,072	15,699
Salaries and benefits	28,258	27,272
Accommodation charges	8,026	7,716
Supplies	7,146	8,370
Depreciation of property, plant and equipment	3,978	3,544
	76,480	62,601
Net income from operations	1,569	300
Other income:		
Interest revenue	347	98
Change in restricted investment (Note 5)	(14)	24
	333	122
Net income	1,902	422
Other comprehensive income (deficit):		
Defined benefit pension plan (deficit) recovery	(220)	107
Total comprehensive income	$ 1,682	$ 529

(See accompanying notes to the financial statements)

STATEMENT 3

SASKATCHEWAN RESEARCH COUNCIL
CONSOLIDATED STATEMENT OF CHANGES IN PROVINCE'S EQUITY

For the year ended March 31 (Thousands of dollars)

	Unappropriated Retained Earnings	Appropriated Retained Earnings	Contributed Surplus	Total
Equity				
Balance, April 1, 2010	$ 21,719	$ 641	$ 922	$ 23,282
Net income	422	-	-	422
Other comprehensive income	107	-	-	107
Change in appropriated amount during year (Note 5)	(24)	24	-	-
Balance, March 31, 2011	22,224	665	922	23,811
Net income	1,902	-	-	1,902
Other comprehensive (deficit)	(220)	-	-	(220)
Change in appropriated amount during year (Note 5)	14	(14)	-	-
Balance, March 31, 2012	$ 23,920	$ 651	$ 922	$ 25,493

(See accompanying notes to the financial statements)

STATEMENT 4

SASKATCHEWAN RESEARCH COUNCIL
CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31 (Thousands of dollars)

	2012	2011
Cash flows from operating activities:		
Cash receipts from contracts	$ 71,749	$ 41,175
Cash receipts from General Revenue Fund	18,133	16,633
Cash paid to suppliers and employees	(74,331)	(56,545)
Interest received	189	74
Cash flows from operating activities	15,740	1,337
Cash flows used in investing:		
Purchase of property, plant and equipment	(5,397)	(5,282)
Cash flows used in investing activities	(5,397)	(5,282)
Cash flows from financing:		
Capital grants	2,611	1,126
Cash flows from financing activities	2,611	1,126
Net increase (decrease) in cash and cash equivalents	12,954	(2,819)
Cash and cash equivalents (bank indebtedness), beginning of year	(399)	2,420
Cash and cash equivalents (bank indebtedness), end of year	$ 12,555	$ (399)

(See accompanying notes to the financial statements)

SASKATCHEWAN RESEARCH COUNCIL
Notes to the Consolidated Financial Statements

For the year ended March 31, 2012

1. Status of Saskatchewan Research Council

Saskatchewan Research Council (the Council) was established pursuant to Section 3 of *The Research Council Act* for the purpose of research and investigation in the fields of the physical sciences, pure and applied, as they affect the economy of the Province of Saskatchewan. The Council is a body corporate which receives monies appropriated by the Legislature for these purposes and is owned by the Province of Saskatchewan. It is empowered to conduct research and other services under contract for others and to receive financial assistance pursuant to agreements with other similar agencies. The Council has also been contracted by the Province to manage the remediation of northern abandoned mine sites. The Council's financial results are included in the summary financial statements of the Province of Saskatchewan. As a Treasury Board Crown corporation, the Council is not subject to federal income tax or goods and services tax.

The Council's head office is located at 125 – 15 Innovation Boulevard in Saskatoon, Saskatchewan.

2. Basis of Presentation

a) Statement of Compliance

The Council's consolidated financial statements were previously prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP). These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). As these consolidated financial statements represent the Council's initial presentation of its financial position, income and cash flows under IFRS, they were prepared in accordance with IFRS 1, *First-time Adoption of IFRS*. An explanation of how the transition to IFRS has affected the reported financial position and income of the Council is provided in Note 18.

The preparation of these consolidated financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under GAAP. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. They also have been applied in preparing an opening IFRS statement of financial position as at April 1, 2010 for the purposes of the transition to IFRS, as required by IFRS 1, First Time Adoption of International Financial Reporting Standards (IFRS 1). The impact of the transition from GAAP to IFRS is explained in Note 18.

The financial statements were authorized and issued by the Board of Directors of the Council on June 18, 2012.

b) Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments which are measured at fair value.

c) Functional and Presentation Currency

These financial statements are presented in Canadian dollars, which is the Council's functional currency.

d) Estimates and Judgments

The preparation of financial statements in conformity with IFRS in Canada requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Key estimates within the financial statements include the accounts receivable, accrued pension benefit asset (liability), property, plant and equipment depreciation and decommissioning provision.

SASKATCHEWAN RESEARCH COUNCIL
Notes to the Consolidated Financial Statements

For the year ended March 31, 2012

2. Basis of Presentation (continued)

Areas of judgments in applying accounting policies that have the most effect on the amounts recognized in the consolidated financial statements include the determination of cash-generating units.

e) Future Changes in Accounting Policy

The Council has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but are only effective for accounting periods beginning on or after April 1, 2012 or later periods. These include:

- IFRS 9, Financial Instruments,
- IFRS 10, Consolidated Financial Statements
- IFRS 11, Joint Arrangements
- IFRS 12, Disclosure of Interests in Other Entities
- IFRS 13, Fair Value Measurement
- IAS 19, Employee Benefits
- IAS 27, Separate Financial Statements
- IAS 28, Investments in Associates and Joint Ventures

The Council anticipates that the adoption of these standards and interpretations in future periods will have no material impact on the consolidated financial statements of the Council except for additional disclosures.

3. Summary of Accounting Policies

a) Consolidation Principles

The accounts of TecMark International Commercialization Inc., a wholly owned subsidiary of the Saskatchewan Research Council, are consolidated in these financial statements. TecMark International Commercialization Inc. (TecMark) was incorporated under *The Business Corporations Act* (Saskatchewan) on October 9, 1996, as a wholly owned subsidiary of the Council. TecMark holds certain patents and other non-tangible assets of the Council. The Council is currently in the process of winding up TecMark and transferring back ownership of these assets.

b) Financial Instruments

The Council does not have any derivative financial instruments.

Non-derivative financial assets:

The Council has the following non-derivative financial assets:

Financial assets at fair value through profit or loss (FVTPL)

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVTPL if the Council manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Council's documented risk management or investment strategy. Attributable transaction costs are recognized in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. The Council's financial assets consist of cash and cash equivalents, restricted investment, and bank indebtedness.

SASKATCHEWAN RESEARCH COUNCIL
Notes to the Consolidated Financial Statements

For the year ended March 31, 2012

3. Summary of Accounting Policies (continued)

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise accounts receivable from related and non-related parties.

Non-derivative financial liabilities:

The Council has the following non-derivative financial liabilities:

Accounts Payable

Such financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Impairment of financial assets:

For certain categories of financial assets, such as accounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognized.

c) Revenue Recognition

Revenue from contract work is recognized on the percentage-of-completion method, which recognizes revenue as a contract progresses. Profit is recognized over the life of the contract, at the expected margin. Losses from cost overruns are recognized in the year they occur.

Unbilled revenues are accrued to the year-end for these contracts, while pre-billed revenues received are classified as unearned revenue.

Grants from the General Revenue Fund are unrestricted in nature and recognized as they are received or receivable.

The Fermentation Facility Upgrade, Capital Enhancements, Wheat DNA Project, Microanalysis Centre and Pipe Flow Expansion revenues are recognized at the same rate as the related assets are put in use and depreciated.

Other contributions that are restricted for a specified use are deferred and are recognized as revenue when the related expenses are incurred.

Donations revenue is recognized upon receipt based on the value of the assets received.

SASKATCHEWAN RESEARCH COUNCIL
Notes to the Consolidated Financial Statements

For the year ended March 31, 2012

3. Summary of Accounting Policies (continued)

d) Cash and Cash Equivalents

Cash and cash equivalents consist of balances with financial institutions and investments in redeemable guaranteed investment certificates (GICs) with a Canadian bank, which have a term to maturity of one year or less at time of purchase.

e) Property, Plant and Equipment

Property, plant and equipment (PP&E) is carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of PP&E consists of the purchase price and any costs directly attributable to bringing the asset to the location and the condition necessary for its intended use. Self-constructed assets are recorded at cost, including labour and materials.

Depreciation of PP&E is provided over the estimated useful lives of the assets on the following basis:

Straight-line method

Automotive	5 years
Buildings	9 - 20 years
Computer Equipment	5 years
Equipment	5 - 10 years
Fermentation and GenServe Equipment	10 years
Leasehold Improvements	2 -12 years

An item of PP&E is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of an asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Where an item of PP&E consists of major components with different useful lives, the components are accounted for as separate items. Expenditures incurred to replace a component of an item of PP&E that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

f) Impairment

The carrying amounts of the Council's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. The Council assesses the CGU at the lowest level of revenue attributable to assets.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized as a charge against net income.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a positive change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation, if no impairment loss had been recognized.

SASKATCHEWAN RESEARCH COUNCIL
Notes to the Consolidated Financial Statements

For the year ended March 31, 2012

3. Summary of Accounting Policies (continued)

g) Restricted Investment

The investment is comprised of deposits in units in a balanced mutual fund managed by a professional investment manager.

These investments have been classified as fair value through profit and loss (FVTPL) and are carried at fair value with unrealized gains or losses recognized in the consolidated statement of comprehensive income. Units in the mutual fund are recorded in the accounts at their net asset value per unit.

Net asset value per unit is the market value of the investments in the fund portfolio divided by the total number of outstanding units in that fund. The adjustment necessary to record units at their net asset value at the year-end is shown as a change in restricted investment on the consolidated statement of comprehensive income.

h) Trust Investment

The trust investment is comprised of GICs held by a trust company. This investment has been classified as FVTPL and is carried at fair value with unrealized gains or losses recognized in the consolidated statement of comprehensive income.

i) Pension Benefit (Liability) Asset

The Council maintains a pension plan for its employees. The Plan is registered with the Saskatchewan Superintendent of Pensions (Superintendent) and is required to comply with *The Pension Benefits Act*, 1992 (Act). Until December 31, 1990, it was a defined benefit plan. Effective January 1, 1991, the plan was changed to a defined contribution plan. The changes did not affect employees who retired before this date. They continue to receive benefits as granted.

Actuarial gains and losses are recognized in full in the period in which they occur, in other comprehensive income and retained earnings.

j) Decommissioning Provision

The fair value of legal obligations to retire long-lived assets is recorded as a decommissioning provision with a corresponding increase in the carrying amount of the related assets. The recorded decommissioning provision increases over time through interest expense charges to earnings. The capitalized assets are depreciated to income consistent with the depreciation of the related assets.

k) Capital Grants

Capital grants related to depreciable property are deferred as received and are recognized as revenue over the life of the asset. The Council recognizes a portion of the capital grants as revenue each year equivalent to the amount of depreciation recognized on the assets acquired with the grant funds.

4. Accrued Pension Benefit (Liability) Asset

Defined Contribution

The defined contribution pension plan assets had a market value of $18,391,000 (2010 - $19,978,000) at December 31, 2011. By design, the liabilities equal the assets of a defined contribution pension plan.

The defined contribution pension plan expense (employer contributions) for the year was $1,186,000 (2011 - $1,205,000).

SASKATCHEWAN RESEARCH COUNCIL
Notes to the Consolidated Financial Statements

For the year ended March 31, 2012

4. Accrued Pension Benefit (Liability) Asset (continued)

The assets consist of units in two Phillips, Hager & North segregated funds held by London Life Investment Management Ltd. - the Balanced Pension Trust Fund and Canadian Money Market Fund. The Balanced Pension Trust Fund and Canadian Money Market Fund have no fixed interest rate, and returns are based on the performance of the funds. The fair value of the assets is considered to be the market value.

Defined Benefit

The Pension Benefits Act, 1992 (Act), requires the pension plan to obtain, every three years, an actuarial valuation that outlines its funding position and solvency position. The latest actuarial valuation of the defined benefit pension plan was performed as at December 31, 2011 by an independent actuary, Aon Consulting (Aon). This valuation has been extrapolated to March 31, 2012 by Aon. A discount rate of 3.25% (2011 - 3.90%) was used in the calculation of the extrapolation. The pension plan has been valued using management's best estimates.

The funding position outlines whether the pension plan has sufficient assets and future contributions to pay the benefits agreed to under the plan. The solvency position outlines if the pension plan has sufficient assets to windup the plan at the valuation date. If the funding and solvency positions are deficits, the Act outlines how the deficits are to be paid. The actuarial valuation for funding and solvency purposes prepared by Aon Consulting Inc. as at December 31, 2010 was filed with the Superintendent. The 2011 valuation disclosed a solvency deficiency of $81,000 (2010 - $169,000 surplus) and a funding surplus of $82,000 (2010 - $278,000). This actuarial valuation has not been filed with the Superintendent.

The financial position of the defined benefit pension plan is as follows:

	March 31, 2012	March 31, 2011	April 1, 2010
	(000's)	(000's)	(000's)
Defined benefit asset expected market value, April 1	$ 1,631	$ 1,708	$ 1,582
Expected return on plan assets	91	96	89
Contributions	-	-	69
Benefits paid	(222)	(242)	(253)
Experience (loss) gain	(149)	69	221
Asset at market value, March 31	1,351	1,631	1,708
Defined benefit obligation at April 1	1,478	1,662	1,684
Interest on accrued benefits and benefit payments	53	65	87
Benefits paid	(222)	(242)	(253)
Experience losses (gains)	59	(56)	9
Pension increase	-	23	23
Assumption changes	50	26	112
Obligation, extrapolated to March 31	1,418	1,478	1,662
Accrued pension benefit (liability) asset, March 31	$ (67)	$ 153	$ 46

Upon termination of the defined benefit portion of the pension plan, any balance remaining, after discharging all liabilities, shall belong to the Council. The balance may be distributed in a manner to be determined by the Council, at its sole discretion, after receiving prior approval in accordance with *The Pension Benefits Act*, 1992, the *Income Tax Act (Canada)* and the regulations thereunder.

SASKATCHEWAN RESEARCH COUNCIL
Notes to the Consolidated Financial Statements

For the year ended March 31, 2012

4. Accrued Pension Benefit (Liability) Asset (continued)

The defined benefit pension plan deficit of $220,000 (2011 - $107,000 recovery) is the year-over-year change in the accrued benefit asset and obligation. The benefits paid from the defined benefit pension plan during the year totaled $222,000 (2011 - $242,000). Effective January 1, 2003, the Council is not being reimbursed for administrative costs incurred by the pension plan.

5. Restricted Investment

Restricted investment represents the Technology-in-Action Fund (Fund), which was established by the Council in 1994 when Mr. Ian Wahn made a gift to the Council, an agent of the Crown. The Fund was established to help the people of Saskatchewan develop their province as a highly skilled, fair, desirable and compassionate society with a secure environment through research, development and the transfer of innovative scientific and technological solutions, applications and services.

The Council received a binding ruling from the Canada Revenue Agency that accepts this as a "Gift to the Crown".

The Council maintains a separate account for the capital contributions and all investment income earned.

The balance of the Fund at March 31 is as follows:

	2012	Change	2011	Change	2010
	($000's)	($000's)	($000's)	($000's)	($000's)
Capital contributions	$ 504	$ -	$ 504	$ -	$ 504
Investment earnings	383	(4)	387	44	343
Technology grants, fund expenses	(236)	(10)	(226)	(20)	(206)
Total	$ 651	$ (14)	$ 665	$ 24	$ 641

The capital contributions are invested in a Canadian balanced mutual fund. The balanced mutual fund has no fixed interest rate, and the return is based on the performance of the mutual fund. Additional units in the mutual fund are acquired when distributions are made by the mutual fund. Cash dividends are not paid by the fund; however, investors can realize changes in the underlying unit values by redeeming units. The investment earnings include the actual earnings of the investment and the year-over-year change in the market value of the assets.

For the year ended March 31, 2012

6. Property, Plant and Equipment

(000's)	Building	Leaseholds	Computers	Equipment	Automotive	SLOWPOKE	Construction in Progress	Total
Cost								
Balance, April 1, 2010	$ 686	$ 11,774	$ 3,468	$ 37,548	$ 467	$ 1,467	$ 3,383	$ 58,793
Additions	-	1,973	685	3,744	30	1,610	-	8,042
Disposals/transfers	(11)	-	(1,376)	(1,635)	(1)	-	(1,105)	(4,128)
Balance, March 31, 2011	675	13,747	2,777	39,657	496	3,077	2,278	62,707
Additions	-	1,218	320	2,968	53	1,212	686	6,457
Disposals/transfers	-	-	(293)	(1,598)	(17)	-	-	(1,908)
Balance, March 31, 2012	675	14,965	2,804	41,027	532	4,289	2,964	67,256
Accumulated Depreciation								
Balance, April 1, 2010	600	6,736	2,747	20,872	293	804	-	32,052
Current year depreciation	4	882	400	2,636	65	33	-	4,020
Disposals	-	-	(1,362)	(1,577)	(1)	-	-	(2,940)
Balance, March 31, 2011	604	7,618	1,785	21,931	357	837	-	33,132
Current year depreciation	4	1,007	349	2,952	52	160	-	4,524
Disposals	-	-	(278)	(711)	(16)	-	-	(1,005)
Balance, March 31, 2012	608	8,625	1,856	24,172	393	997	-	36,651
Net Book Value								
March 31, 2012	$ 67	$ 6,340	$ 948	$ 16,855	$ 139	$ 3,292	$ 2,964	$ 30,605
March 31, 2011	$ 71	$ 6,129	$ 992	$ 17,726	$ 139	$ 2,240	$ 2,278	$ 29,575
April 1, 2010	$ 86	$ 5,038	$ 721	$ 16,676	$ 174	$ 663	$ 3,383	$ 26,741

REAL WORLD SOLUTIONS

SASKATCHEWAN RESEARCH COUNCIL
Notes to the Consolidated Financial Statements

For the year ended March 31, 2012

6. Property, Plant and Equipment (continued)

Included in the net book value of equipment is $233,000 (2011 - $233,000) of assets that were not depreciated in the last two fiscal years as they are held for sale.

7. Line of Credit

The Council was authorized by the Minister of Finance to establish a line of credit not to exceed $5,100,000. There is an assignment of the accounts receivable as collateral for bank indebtedness. Interest is charged on the line of credit at the Bank of Montreal prime rate.

As at March 31, 2012, the Council was not utilizing this line of credit.

8. Deferred Revenue

The Council received contributions for certain property, plant and equipment (PP&E), which it records as deferred revenue until such time as the related assets are put in use and depreciated. Revenue is recognized based on the depreciation of the related assets.

a) Fermentation Facility Upgrade
The Fermentation Facility Upgrade was funded under the Western Economic Partnership Agreement by the Saskatchewan Ministry of Energy and Resources and Western Economic Diversification Canada. All purchases were fully funded.

b) Capital Enhancements
The Council received specific funding from the Province to replace aging equipment and acquire enhanced equipment. All purchases were fully funded.

c) Wheat DNA Project
The Council received funding towards the total cost of PP&E from the Western Economic Partnership Agreement by the Saskatchewan Ministry of Energy and Resources and Western Economic Diversification Canada. Funding was also received from Agriculture and Agri-Food Canada.

d) Microanalysis Centre
The Council received funding towards the total cost of PP&E from the Western Economic Partnership Agreement by the Saskatchewan Ministry of Energy and Resources and Western Economic Diversification Canada to acquire equipment and develop space for the Microanalysis Centre.

e) Pipe Flow Expansion
The Council received funding towards the total cost of PP&E from the Western Economic Partnership Agreement by the Saskatchewan Ministry of Energy and Resources and Western Economic Diversification Canada to acquire equipment and develop space for the Pipe Flow Expansion.

SASKATCHEWAN RESEARCH COUNCIL
Notes to the Consolidated Financial Statements

For the year ended March 31, 2012

8. Deferred Revenue (continued)

	March 31, 2012	March 31, 2011	April 1, 2010
	(000's)	(000's)	(000's)
Current Portion			
Fermentation Facility Upgrade	$ 30	$ 30	$ 30
Capital Enhancements	299	315	366
Wheat DNA Project	150	129	128
Microanalysis Centre	265	158	130
Pipe Flow Expansion	39	-	-
	783	632	654
Long Term Portion			
Fermentation Facility Upgrade	$ 42	$ 72	$ 102
Capital Enhancements	1,137	1,420	1,711
Wheat DNA Project	1,073	1,030	143
Microanalysis Centre	2,011	1,380	1,170
Pipe Flow Expansion	1,372	-	-
	5,635	3,902	3,126
Total Deferred Revenue	$ 6,418	$ 4,534	$ 3,780

During the year, the Council recognized the following amounts as revenue and expenses based on the depreciation of the related property, plant and equipment.

	March 31, 2012	March 31, 2011
	(000's)	(000's)
Fermentation Facility Upgrade	$ 30	$ 30
Capital Enhancements	299	342
Wheat DNA Project	150	129
Microanalysis Centre	248	130
Total Capital Grants	$ 727	$ 631

9. Trust Investment and Decommissioning Provision (Provision)

The Canadian Nuclear Safety Commission's (CNSC) licensing conditions require that SLOWPOKE reactor owners have in place a decommissioning plan and a financial plan to cover the associated costs.

SASKATCHEWAN RESEARCH COUNCIL
Notes to the Consolidated Financial Statements

For the year ended March 31, 2012

9. Trust Investment and Decommissioning Provision (Provision) (continued)

The fair value of legal obligations to retire the SLOWPOKE reactor is recorded as a provision with a corresponding increase in the carrying amount of the related assets. The recorded provision increases over time through interest expense charges to earnings. The interest expense is calculated using an interest rate that equates to a rate adjusted for current market assessments of the time value of money and the risks specific to the provision and is included in property, plant and equipment depreciation. The capitalized assets are depreciated to income consistent with the depreciation of the related assets.

The determination of the provision is based on the current estimated costs of decommissioning. The eventual decommissioning is estimated to occur in 2025 and require eighteen months to complete. The total undiscounted provision for the planned decommissioning at 2025 is $8,713,000 (2011 - $7,986,000) calculated by utilizing current information regarding decommissioning costs, a 20% contingency and an inflationary factor of 3% (2011 - 3%). The provision at year-end is $6,186,000 (2011 - $4,795,000). The Council increased the provision by $1,212,000 (2011 - $1,610,000) and recognized interest expense of $178,000 (2011 - $122,000) during the year. The discount rate adjusted for current market assessments of the time value of money and the risks specific to the provision and included in property, plant and equipment depreciation was reassessed to 2.67% (2011 - 3.71%).

The Council conducted a sensitivity analysis and determined that a 1% decrease in the discount rate would increase the provision by $839,000 (2011 - $697,000) and decrease the recognized interest expense by $50,000 (2011 - $29,000). A 1% increase in the discount rate would decrease the provision by $732,000 (2011 - $603,000) and increase the recognized interest expense by $38,000 (2011 - $20,000). A five-year reduction in the estimated decommissioning date would result in an increase of the provision by $871,000 (2011 - $168,000) and an increase in the current year interest expense by $24,000 (2011 - $6,000).

At March 31, 2012, the Council has invested $2,074,000 (2011 - $2,052,000, 2010 - $2,028,000) in a legal trust for the purpose of settling the Provision. This trust agreement is a condition of the operating license issued to the Council by CNSC. An initial investment of $500,000 was made in 2004. Investments of $260,000 were made in fiscal years 2006 to 2010. The terms of the now expired trust agreement required the trust be invested in GICs and required the Council to contribute to the trust account each year. The Council is negotiating with CNSC regarding the terms of a new trust agreement and therefore no contribution was made for fiscal years 2011 or 2012. The funds cannot be used for any purpose without prior approval of CNSC. The Council will work with CNSC to ensure that the new trust adequately reflects the requirements of the plan.

10. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Council by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms except for the following:

During the year, the Council paid $6,577,000 (2011 - $6,333,000) to the Ministry of Government Services and Saskatchewan Opportunities Corporation (SOCO) for accommodation charges on buildings.

SASKATCHEWAN RESEARCH COUNCIL
Notes to the Consolidated Financial Statements

For the year ended March 31, 2012

10. Related Party Transactions (continued)

At year-end, the Council has lease commitments with SOCO requiring minimum lease payments of:

2013	$4,065,000
2014	4,065,000
2015	3,878,000
2016	264,000
2017	17,000

In 2012, the Council purchased supplies and services for $1,505,000 (2011 - $1,511,000) from related parties.

During the year, the Council recognized fee-for-service contract revenue of $31,054,000 (2011 - $16,174,000) with related parties.

The Council received $18,133,000 (2011 - $16,633,000) in funding from the General Revenue Fund.

As at March 31, the Council had $813,000 (2011 - $8,920,000) in related party accounts receivable.

The Council has $4,238,000 (2011 - $3,183,000) of deferred revenue from related parties as at March 31. Of the $4,238,000, $36,000 (2011 - $52,000) is related to the Fermentation Facility Upgrade funding, $1,436,000 (2011 - $1,734,000) is related to the Capital Enhancements funding, $735,000 (2011 - $812,000) is related to the Wheat DNA Project funding, $1,138,000 (2011 - $585,000) is related to the Microanalysis Centre funding and $893,000 (2011 - $Nil) is related to the Pipe Flow Expansion funding.

The Council has $7,925,000 (2011 - $2,895,000) of unearned revenue from related parties, concerning fee-for-service contracts, as at March 31.

During the year, the Council provided general administrative services to the Saskatchewan Research Council Employees' Pension Plan without charge.

Key management personnel includes the President and Vice-Presidents of the Council. The compensation paid to key management for employee services is shown below:

	March 31, 2012 (000's)	March 31, 2011 (000's)
Salaries and benefits	$ 2,178	$ 2,092

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

SASKATCHEWAN RESEARCH COUNCIL
Notes to the Consolidated Financial Statements

For the year ended March 31, 2012

11. Comparison of Planned and Actual Results

A comparison of actual to budgeted results for each line item on the consolidated statement of comprehensive income follows:

	Actual 2012 (000's)	Budget 2012 (000's)	Actual 2011 (000's)	Budget 2011 (000's)
Revenue:				
Contracts	$ 59,916	$ 65,468	$ 46,268	$ 44,233
Transfer from General Revenue Fund	18,133	18,133	16,633	16,633
	78,049	83,601	62,901	60,866
Expenses:				
Contract services	29,072	25,813	15,699	6,431
Salaries and benefits	28,258	29,731	27,272	28,893
Accommodation charges	8,026	8,102	7,716	6,292
Supplies	7,146	14,043	8,370	16,095
Depreciation of property, plant and equipment	3,978	5,306	3,544	2,922
	76,480	82,995	62,601	60,633
Net income from operations	1,569	606	300	233
Other income:				
Interest revenue	347	100	98	150
Change in restricted investment	(14)	-	24	-
	333	100	122	150
Net income	1,902	706	422	383
Other comprehensive income (deficit):				
Defined benefit pension plan (deficit) recovery	(220)	-	107	-
Total comprehensive income	$ 1,682	$ 706	$ 529	$ 383

12. Financial Instruments

The Council's significant financial instruments consist of accounts receivable, accounts payable, salaries, wages and vacation payable, sick leave benefits payable, and the trust and restricted investments.

Investments measured at fair value are categorized into one of three hierarchy levels, described below for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities.

Cash by its nature is classified as Level 1. Investments measured at fair value by the Council are all considered Level 1.

Credit Risk:

Credit risk is the risk of an unexpected loss by the Council if a customer or third-party to a financial instrument fails to meet its contractual obligations.

SASKATCHEWAN RESEARCH COUNCIL
Notes to the Consolidated Financial Statements

For the year ended March 31, 2012

12. Financial Instruments (continued)

The Council's credit risk is limited to its accounts receivable and cash and cash equivalent balances.

Until the Council's surplus cash is required to fund operations, it is invested in a variety of highly rated, risk-free instruments such as GICs.

The majority of the Council's receivables are from related parties, other government agencies and reputable, longstanding corporate clients. The Council also manages this risk by monitoring the credit worthiness of its customers and seeking pre-payment or other forms of payment security from customers with an unacceptable level of credit risk. At March 31, 2012, the Council had an allowance for doubtful accounts of $437,000 (2011 - $410,000).

The following reflects an aging summary of the Council's accounts receivable:

	March 31, 2012 (000's)	March 31, 2011 (000's)	April 1, 2010 (000's)
Current	$ 5,426	$ 8,335	$ 3,534
31 - 60 days	703	5,840	4,188
61- 90 days	549	319	299
Over 90 days	1,777	778	2,848
	8,455	15,272	10,869
Allowance	(437)	(410)	(295)
	$ 8,018	$ 14,862	$ 10,574

Liquidity Risk:

Liquidity risk is the risk that the Council is unable to meet its financial obligations as they fall due. The Council ensures that there is sufficient capital in order to meet short-term business requirements, after taking into consideration cash flows from operations and the Council's holdings of cash and cash equivalents and the availability of the line of credit. The Council believes that these sources will be sufficient to cover short-term and long-term cash requirements.

The following table summarizes the contractual maturity of the Council's financial liabilities at March 31, 2012:

	March 31, 2012 (000's)	March 31, 2012 (000's)	March 31, 2011 (000's)
	Carrying Amount	<0-6 months	<0-6 months
Accounts payable	$ 5,016	$ 5,016	$ 8,092
Salaries, wages and vacation payable	2,019	2,019	1,708
	$ 7,035	$ 7,035	$ 9,800

Interest Rate Risk:

The Council's exposure to floating interest rate risk is generally limited to certain cash and cash equivalents and the Trust Investment. The Council's cash and cash equivalents include highly liquid investments with a term of one year or less that earn interest at market rates. The Council manages its interest rate risk on these investments by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis.

SASKATCHEWAN RESEARCH COUNCIL
Notes to the Consolidated Financial Statements

For the year ended March 31, 2012

12. Financial Instruments (continued)

A 1% increase in the interest rate of the Trust Investment would result in a $22,000 increase in interest revenue. A 1% decrease in the interest rate of the Trust Investment would result in a $22,000 decrease in interest revenue.

Equity Price Risk:

Equity price risk is the risk that the value of an equity will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issue or all other factors affecting all instruments traded in the market.

The Council manages the equity price risk of the Restricted Investment through investing in a Canadian balanced mutual fund.

A 10% increase in the market value of the Balanced Pension Trust fund would result in a $65,000 increase in the return from the Restricted Investment. A 10% decrease in the market value of the Balanced Pension Trust fund would result in a $65,000 decrease in the return from the Restricted Investment.

Fair Values:

The fair values of the accounts receivable, accounts payable, salaries, wages and vacation payable, and sick leave benefits payable approximate their carrying value due to the short-term nature of these instruments. The fair value of the Restricted Investment is considered to be market value, the calculation of which is detailed in Note 3. Due to the short-term nature of the type of investment held in the Trust Investment, the cost plus accrued interest is considered to be equal to market value.

The following table summarizes the classification, measurement category, carrying amount, and fair value of the Council's financial instruments.

			March 31, 2012 (000's)		March 31, 2011 (000's)		April 1, 2010 (000's)	
	Class [1]	Level	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets								
Cash and cash equivalents	FVTPL	1	$ 12,555	$ 12,555	$ -	$ -	$ 2,420	$ 2,420
Accounts receivable	L&R	N/A	8,018	8,018	14,862	14,862	10,574	10,574
Restricted investment	FVTPL	1	651	651	665	665	641	641
Trust investment	FVTPL	1	2,074	2,074	2,052	2,052	2,028	2,028
Financial Liabilities								
Bank indebtedness	FVTPL	1	$ -	$ -	$ 399	$ 399	$ -	$ -
Accounts payable	OFL	N/A	5,016	5,016	8,092	8,092	4,752	4,752
Salaries, wages and vacation payable	OFL	N/A	2,019	2,019	1,708	1,708	1,411	1,411

[1] Classification
FVTPL – Fair value through profit and loss
L&R – Loans and receivables
OFL – Other financial liabilities

SASKATCHEWAN RESEARCH COUNCIL
Notes to the Consolidated Financial Statements

For the year ended March 31, 2012

13. Commitments

At year-end, the Council has lease commitments with non-related parties requiring minimum lease payments of:

2013	$ 299,000
2014	247,000
2015	227,000
2016	200,000
2017	144,000

14. Capital Disclosures

The Council manages capital through assessment of current and future goals, and the capital requirement of these goals. The Council's objective when managing capital is to ensure adequate capital is available to support operations and future strategies of the Council.

The Council's management considers its capital structure to consist of contributed surplus and unappropriated retained earnings.

The usage of this capital is restricted in accordance with *The Financial Administration Act*, 1993.

The Council is not subject to prescribed capital requirements.

15. Funds Held in Trust

At March 31, 2012, the Council holds $990,000 for the Ministries of Environment and Tourism, Parks, Culture & Sport. These funds are held for the purpose of forest land management carried out by the Council.

16. Comparative Figures

Certain 2011 financial statement balances have been reclassified to conform with the presentation of the 2012 figures.

17. Remediation Projects

The Council has been contracted by the Ministry of Energy and Resources to manage the remediation of several northern abandoned mine sites. The project's life to date income, expenses and profit is as follows:

	March 31, 2012 (000's)	March 31, 2011 (000's)
Contract revenue	$ 44,958	$ 19,540
Expenses	44,374	19,547
Profit (loss)	$ 584	$ (7)

SASKATCHEWAN RESEARCH COUNCIL
Notes to the Consolidated Financial Statements

For the year ended March 31, 2012

18. Transition to International Financial Reporting Standards (IFRS)

As stated in Note 2, these consolidated financial statements are for the period covered by the Council's first annual consolidated financial statements prepared in accordance with IFRS.

The accounting policies in Note 3 have been applied in preparing the consolidated financial statements for the year ended March 31, 2012 and March 31, 2011 and the opening IFRS statement of financial position on April 1, 2010, the "Transition Date".

The transition from GAAP to IFRS has not affected the Council's financial position, financial performance and cash flows previously reported at March 31, 2011 and April 1, 2010.

The guidance for the first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. The following elections were made under IFRS 1:

a) *Property, plant and equipment* – Under IAS 16, IAS 38 and IAS 40, an item of property, plant and equipment (PP&E) or an intangible asset is initially recorded at cost, if cost is reliably measureable. IFRS 1 allows an entity to elect to treat the fair value or a previous valuation as the deemed cost if it is desired. The Council has elected to account for PP&E using the historical cost method.

b) *Leases* – IFRS 1 requires a first-time adopter to determine whether a contractual arrangement contains a lease based on the circumstances that existed at the inception of the lease and not those that exist at the date of transition to IFRS. However, the contractual arrangements that are in effect as at the adoption date are utilized in the determination. IFRS 1 allows the transitional provisions under IFRIC 4 to be applied as of the date of the transition to IFRS. The Council has elected to determine the assessment of its leases based on the circumstances that existed at the inception of the leases.

c) *Employee benefits* – As permitted by IFRS 1, the Council has elected to disclose the amounts required by IAS 19, paragraph 120A(p), as the amounts are determined for each accounting period prospectively from the Transition Date.

d) *Designation of previously recognized financial instruments* – At the date of transition to IFRS, a first-time adopter must recognize and measure all financial assets and financial liabilities in its opening IFRS balance sheet in accordance with IAS 39 except for those non-derivative financial assets and non-derivative financial liabilities that would qualify for derecognizing pursuant to the provisions of IFRS 1. The Council has elected to maintain the designations previously selected under GAAP, which are consistent with IAS 39.

e) *Decommissioning liabilities included in the cost of property, plant and equipment* – IFRS 1 provides an exemption for alternative treatment of changes in decommissioning liabilities that occurred before the date of the transition to IFRS. Generally, applying this exemption will make it simpler to calculate decommissioning liabilities, especially when an entity had not previously calculated such provisions. The Council has elected to not apply this exemption.

SASKATOON
125 – 15 Innovation Boulevard
Saskatoon, SK Canada
S7N 2X8
T: 306-933-5400
F: 306-933-7446

REGINA
129 – 6 Research Drive
Regina, SK Canada
S4S 7J7
T: 306-787-9400
F: 306-787-8811

PRINCE ALBERT
221 – 1061 Central Avenue
Prince Albert, SK Canada
S6V 4V4
T: 306-765-2840
F: 306-765-2844

TOLL-FREE: 1-877-772-7227 **WWW.SRC.SK.CA** **INFO@SRC.SK.CA**